### AMENDED IN ASSEMBLY APRIL 17, 2006

CALIFORNIA LEGISLATURE—2005-06 REGULAR SESSION

# **ASSEMBLY BILL**

No. 2515

## **Introduced by Assembly Member Ruskin**

February 23, 2006

An act to add Section 25401.9 to the Public Resources Code, amend Section 25402 of, and to add Section 25401.9 to, the Public Resources Code, to amend Section 381 of, and to add Section 2714.5 to the Public Utilities Code, the Public Utilities Code, and to amend Section 10631 of, and to add Chapter 11 (commencing with Section 560) to Division 1 of, the Water Code, relating to water conservation.

#### LEGISLATIVE COUNSEL'S DIGEST

AB 2515, as amended, Ruskin. Water conservation.

(1) Existing law requires the State Energy Resources Conservation and Development Commission (*Energy Commission*), after one or more public hearings, to take specified action to reduce the wasteful, uneconomic, inefficient, or unnecessary consumption of energy. Existing law requires the commission, by January 1, 2004, to amend specified regulations to require that residential clothes washers manufactured on or after January 1, 2007, be at least as water efficient as commercial clothes washers, and to take certain other related action.

This bill would require the commission Energy Commission to establish water efficiency standards for residential and commercial water-using appliances and other products water-using applications. The bill would require the commission Energy Commission to prepare and submit to the Legislature a report that sets forth recommendations regarding the utilization of water use ratings for those appliances and

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products. The bill would require the Energy Commission, before January 1, 2008, after one or more public hearings, to prescribe, by regulation, water conservation design standards for new residential and nonresidential buildings to reduce energy and water consumption.

(2) Under the Public Utilities Act, the Public Utilities Commission (PUC) requires electrical corporations to identify a separate rate component to fund programs that enhance system reliability and provide in-state benefits. This rate component is a nonbypassable element of local distribution and collected on the basis of usage. The funds are collected to support cost-effective energy efficiency and conservation activities, public interest research and development not adequately provided by competitive and regulated markets, and renewable energy resources.

This bill would provide that cost-effective energy efficiency and conservation activities include hot and cold water efficiency programs.

(2)

(3) Existing law authorizes the Public Utilities Commission PUC to regulate public utilities, including water corporations.

This bill would require the commission *PUC* to prepare and submit to the Legislature a report that describes and recommends an accounting method for evaluating the direct financial costs and benefits of water conservation and efficiency programs to customers of water corporations subject to the jurisdiction of the commission *PUC*. The bill would require the commission *PUC* to include in the report recommendations with regard to the implementation of one or more water conservation and efficiency programs, *consistent with the policy objectives of the PUC's Water Action Plan, adopted December 15*, 2005.

(3)

(4) Under existing law, state bond funds are allocated for a broad range of water projects and programs.

This bill would prohibit the allocation of state bond funds to a water supplier for a water project or program unless the supplier has adopted implemented specified best management practices.

(5) Existing law requires an urban water supplier, as defined, to prepare and update every 5 years an urban water management plan for submission to the Department of Water Resources. Existing law authorizes an urban water supplier that submits annual reports to the

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California Urban Water Conservation Council in accordance with a specified memorandum to submit those reports identifying water demand management measures to the department for the purpose of meeting certain requirements in connection with the preparation of the supplier's urban water management plan.

This bill would authorize the urban water supplier to submit those reports for the purposes of meeting those requirements only if those reports document measures consistent with the requirements set forth in that memorandum.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. Section 25401.9 is added to the Public 2 Resources Code, to read:
- 3 25401.9. (a) The commission shall establish water-efficiency 4 standards for residential and commercial water-using appliances 5 and other-products water-using applications.

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- (b) The commission shall prepare and submit to the Legislature a report that sets forth recommendations regarding the utilization of water use ratings for appliances and products described in subdivision (a).
- 10 SEC. 2. Section 25402 of the Public Resources Code is 11 amended to read:
  - 25402. The commission shall, after one or more public hearings, do all of the following, in order to reduce the wasteful, uneconomic, inefficient, or unnecessary consumption of energy:
  - (a) Prescribe, by regulation, lighting, insulation climate control system, and other building design and construction standards that increase the efficiency in the use of energy for new residential and new nonresidential buildings. The standards shall be cost effective, when taken in their entirety, and when amortized over
- the economic life of the structure when compared with historic practice. The commission shall periodically update the standards
- and adopt any revision that, in its judgment, it deems necessary.
- 23 Six months after the commission certifies an energy conservation
- 24 manual pursuant to subdivision (c) of Section 25402.1, no city,
- 25 county, city and county, or state agency shall issue a permit for
- 26 any building unless the building satisfies the standards prescribed

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by the commission pursuant to this subdivision or subdivision (b)
of this section that are in effect on the date an application for a
building permit is filed.

- (b) Prescribe, by regulation, energy and water conservation design standards for new residential and new nonresidential buildings. The standards shall be performance standards and shall be promulgated in terms of energy and water consumption per gross square foot of floorspace, but may also include devices, systems, and techniques required to conserve energy and water. The standards shall be cost effective when taken in their entirety, and when amortized over the economic life of the structure when compared with historic practices. The commission shall periodically review the standards and adopt any revision that, in its judgment, it deems necessary. A building that satisfies the standards prescribed pursuant to this subdivision need not comply with the standards prescribed pursuant to subdivision (a). The With respect to energy conservation design standards, the commission shall comply with this subdivision before January 1, 1981. With respect to water conservation design standards, the commission shall comply with this subdivision before January 1, 2008.
- (c) (1) Prescribe, by regulation, standards for minimum levels of operating efficiency, based on a reasonable use pattern, and may prescribe other cost effective measures, including incentive programs, fleet averaging, energy consumption labeling not preempted by federal labeling, and consumer education programs, to promote the use of energy efficient appliances whose use, as determined by the commission, requires a significant amount of energy on a statewide basis. The minimum levels of operating efficiency shall be based on feasible and attainable efficiencies or feasible improved efficiencies that will reduce the electrical energy consumption growth rate. The standards shall become effective no sooner than one year after the date of adoption or revision. No new appliance manufactured on or after the effective date of the standards may be sold or offered for sale in the state, unless it is certified by the manufacturer thereof to be in compliance with the standards. The standards shall be drawn so that they do not result in any added total costs to the consumer over the designed life of the appliances concerned.

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(2) No new appliance, except for any plumbing fitting, regulated under paragraph (1), which that is manufactured on or after July 1, 1984, may be sold, or offered for sale, in the state, unless the date of the manufacture is permanently displayed in an accessible place on that appliance.

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- (3) During the period of five years after the commission has adopted a standard for a particular appliance under paragraph (1), no increase or decrease in the minimum level of operating efficiency required by the standard for that appliance shall become effective, unless the commission adopts other cost-effective measures for that appliance.
- (4) Neither the commission nor any other state agency shall take any action to decrease any standard adopted under this subdivision on or before June 30, 1985, prescribing minimum levels of operating efficiency or other energy conservation measures for any appliance, unless the commission finds by a four-fifths vote that a decrease is of benefit to ratepayers, and that there is significant evidence of changed circumstances. Prior to-Before January 1, 1986, the commission shall not take any action to increase any standard prescribing minimum levels of operating efficiency for any appliance or adopt any new standard under paragraph (1). Prior to Before January 1, 1986, any appliance manufacturer doing business in this state shall provide directly, or through an appropriate trade or industry association, information, as specified by the commission after consultation with manufacturers doing business in the state and appropriate trade or industry associations on sales of appliances so that the commission may study the effects of regulations on those sales. These informational requirements shall remain in effect until the information is received. The trade or industry association may submit sales information in an aggregated form in a manner that allows the commission to carry out the purposes of the study. The commission shall treat any sales information of an individual manufacturer as confidential and that information shall not be a public record. The commission shall not request any information that cannot be reasonably produced in the exercise of due diligence by the manufacturer. At least one year prior to the adoption or amendment of a standard for an appliance, the commission shall notify the Legislature of its intent, and the justification therefor, to adopt or amend a standard for the

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appliance. Notwithstanding paragraph (3) and this paragraph, the commission may do any of the following:

- (A) Increase the minimum level of operating efficiency in an existing standard up to the level of the National Voluntary Consensus Standards 90, adopted by the American Society of Heating, Refrigeration, and Air Conditioning Engineers or, for appliances not covered by that standard, up to the level established in a similar nationwide consensus standard.
- (B) Change the measure or rating of efficiency of any standard, if the minimum level of operating efficiency remains substantially the same.
- (C) Adjust the minimum level of operating efficiency in an existing standard in order to reflect changes in test procedures that the standards require manufacturers to use in certifying compliance, if the minimum level of operating efficiency remains substantially the same.
- (D) Readopt a standard preempted, enjoined, or otherwise found legally defective by an administrative agency or a lower court, if final legal action determines that the standard is valid and if the standard that is readopted is not more stringent than the standard that was found to be defective or preempted.
- (E) Adopt or amend any existing or new standard at any level of operating efficiency, if the Governor has declared an energy emergency-pursuant to as described in Section 8558 of the Government Code.
- (5) Notwithstanding paragraph (4), the commission may adopt standards pursuant to commission order No. 84-0111-1, on or before June 30, 1985.
- (d) Recommend minimum standards of efficiency for the operation of any new facility at a particular site that are technically and economically feasible. No site and related facility shall be certified pursuant to Chapter 6 (commencing with Section 25500), unless the applicant certifies that standards recommended by the commission have been considered, which certification shall include a statement specifying the extent to which conformance with the recommended standards will be achieved.
- 38 Whenever this section and Chapter 11.5 (commencing with Section 19878) of Part 3 of Division 13 of the Health and Safety 40 Code are in conflict, the commission shall be governed by that

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1 chapter of the Health and Safety Code to the extent of the 2 conflict.

(e) The commission shall do all of the following:

- (1) Not later than January 1, 2004, amend any regulations in effect on January 1, 2003, pertaining to the energy efficiency standards for residential clothes washers to require that residential clothes washers manufactured on or after January 1, 2007, be at least as water efficient as commercial clothes washers.
- (2) Not later than April 1, 2004, petition the federal Department of Energy for an exemption from any relevant federal regulations governing energy efficiency standards that are applicable to residential clothes washers.
- (3) Not later than January 1, 2005, report to the Legislature on its progress with respect to the requirements of paragraphs (1) and (2).
- SEC. 3. Section 381 of the Public Utilities Code is amended to read:
- 381. (a) To ensure that the funding for the programs described in subdivision (b) and Section 382 are not commingled with other revenues, the commission shall require each electrical corporation to identify a separate rate component to collect the revenues used to fund these programs. The rate component shall be a nonbypassable element of the local distribution service and collected on the basis of usage. This rate component shall fall within the rate levels identified in subdivision (a) of Section 368.
- (b) The commission shall allocate funds collected pursuant to subdivision (a), and any interest earned on collected funds, to programs that enhance system reliability and provide in-state benefits as follows:
- (1) Cost-effective energy efficiency and conservation activities, *including*, *but not limited to*, *hot and cold water efficiency programs*.
- (2) Public interest research and development not adequately provided by competitive and regulated markets.
- (3) In-state operation and development of existing and new and emerging renewable resource technologies defined as electricity produced from other than a conventional power source within the meaning of Section 2805, provided that a power

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1 source utilizing more than 25 percent fossil fuel may not be 2 included.

- (c) The <u>Public Utilities Commission</u> shall order the respective electrical corporations to collect and spend these funds, as follows:
- (1) Cost-effective energy efficiency and conservation activities shall be funded at not less than the following levels commencing January 1, 1998, through to December 31, 2001: for, inclusive, as follows:
- (A) For San Diego Gas and Electric Company, a level of thirty-two million dollars (\$32,000,000) per year; for.
- (*B*) For Southern California Edison Company, a level of ninety million dollars (\$90,000,000) for each of the years 1998, 1999, and 2000;— and fifty million dollars (\$50,000,000) for the year 2001; and for.
- (C) For Pacific Gas and Electric Company, a level of one hundred six million dollars (\$106,000,000) per year.
- (2) Research, development, and demonstration programs to advance science or technology that are not adequately provided by competitive and regulated markets shall be funded pursuant to Section 399.8.
- (3) (A) In-state operation and development of existing and new and emerging renewable resource technologies shall be funded at not less than the following levels on a statewide basis: one as follows:
- (i) One hundred nine million five hundred thousand dollars (\$109,500,000) per year for each of the years 1998, 1999, and 2000, and one.
- (ii) One hundred thirty-six million five hundred thousand dollars (\$136,500,000) for the year 2001. To
- (B) To accomplish these funding levels over the period described herein the San in subparagraph (A), all of the following applies:
- (i) San Diego Gas and Electric Company shall-spend expend twelve million dollars (\$12,000,000) per year, the Southern.
- (ii) Southern California Edison Company shall expend no less than forty-nine million five hundred thousand dollars (\$49,500,000) for the years 1998, 1999, and 2000, and no less than seventy-six million five hundred thousand dollars (\$76,500,000) for the year 2001, and the Pacific Gas and Electric

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Company shall expend no less than forty-eight million dollars (\$48,000,000) per year through the year 2001. Additional

- (*C*) *Additional* funding not to exceed seventy-five million dollars (\$75,000,000) shall be allocated from moneys collected pursuant to subdivision (d) in order to provide a level of funding totaling five hundred forty million dollars (\$540,000,000).
- (4) Up to fifty million dollars (\$50,000,000) of the amount collected pursuant to subdivision (d) may be used to resolve outstanding issues related to implementation of subdivision (a) of Section 374. Moneys remaining after fully funding the provisions of this paragraph shall be reallocated for purposes of paragraph (3).
- (5) Up to ninety million dollars (\$90,000,000) of the amount collected pursuant to subdivision (d) may be used to resolve outstanding issues related to contractual arrangements in the Southern California Edison service territory stemming from the Biennial Resource Planning Update auction. Moneys remaining after fully funding the provisions of this paragraph shall be reallocated for purposes of paragraph (3).
- (6) The funding of in-state operation and development of existing and new and emerging renewable resources technologies shall be made available pursuant to Section 399.8.
- (d) Notwithstanding any other provisions of this chapter, the commission may allow entities subject to its jurisdiction to extend the period for competition transition charge collection up to three months beyond its otherwise applicable termination of December 31, 2001, so as to ensure that the aggregate portion of the research, environmental, and low-income funds allocated to renewable resources shall equal five hundred forty million dollars (\$540,000,000) and that the costs specified in paragraphs (3), (4), and (5) of subdivision (c) are collected.
- (e) Each electrical corporation shall allow customers to make voluntary contributions through their utility bill payments as either a fixed amount or a variable amount to support programs established pursuant to paragraph (3) of subdivision (b). Funds collected by electrical corporations for these purposes shall be forwarded in a timely manner to the appropriate fund as specified by the commission.
- (f) For purposes of this article, "emerging renewable technology" means a new renewable technology, including, but

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1 not limited to, fuel cells using renewable fuels and photovoltaic 2 technology, that is determined by the State Energy Resources 3 Conservation and Development Commission to be emerging 4 from research and development and that has significant 5 commercial potential.

(g) The commission's authority to collect funds pursuant to this section, for purposes of paragraph (3) of subdivision (b), shall become inoperative on March 31, 2002.

SEC. 2.

- *SEC. 4.* Section 2714.5 is added to the Public Utilities Code, to read:
- 2714.5. (a) The commission shall prepare and submit to the Legislature a report that describes and recommends an accounting method for evaluating the direct financial costs and benefits of water conservation and efficiency programs to customers of water corporations.
- (b) The report described in subdivision (a) shall include recommendations with regard to the implementation of one or more water conservation and efficiency programs, consistent with the policy objectives of the commission's Water Action Plan, adopted December 15, 2005.

SEC. 3.

SEC. 5. Chapter 11 (commencing with Section 560) is added to Division 1 of the Water Code, to read:

#### CHAPTER 11. STATE BOND FUNDS

- 560. No state bond funds may be allocated to a water supplier for a water project or program unless the supplier has—adopted implemented best management practices in accordance with the "Memorandum of Understanding Regarding Urban Water Conservation in California," as amended or the "Memorandum of Understanding Regarding Efficient Water Management Practices by Agricultural Water Suppliers in California," as amended.
- SEC. 6. Section 10631 of the Water Code is amended to read: 10631. A plan shall be adopted in accordance with this chapter and shall do all of the following:
- (a) Describe the service area of the supplier, including current and projected population, climate, and other demographic factors affecting the supplier's water management planning. The

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projected population estimates shall be based upon data from the state, regional, or local service agency population projections within the service area of the urban water supplier and shall be in five-year increments to 20 years or as far as data is available.

- (b) Identify and quantify, to the extent practicable, the existing and planned sources of water available to the supplier over the same five-year increments described in subdivision (a). If groundwater is identified as an existing or planned source of water available to the supplier, all of the following information shall be included in the plan:
- (1) A copy of any groundwater management plan adopted by the urban water supplier, including plans adopted pursuant to Part 2.75 (commencing with Section 10750), or any other specific authorization for groundwater management.
- (2) A description of any groundwater basin or basins from which the urban water supplier pumps groundwater. For those basins for which a court or the board has adjudicated the rights to pump groundwater, a copy of the order or decree adopted by the court or the board and a description of the amount of groundwater the urban water supplier has the legal right to pump under the order or decree. For basins that have not been adjudicated, information as to whether the department has identified the basin or basins as overdrafted or has projected that the basin will become overdrafted if present management conditions continue, in the most current official departmental bulletin that characterizes the condition of the groundwater basin, and a detailed description of the efforts being undertaken by the urban water supplier to eliminate the long-term overdraft condition.
- (3) A detailed description and analysis of the location, amount, and sufficiency of groundwater pumped by the urban water supplier for the past five years. The description and analysis shall be based on information that is reasonably available, including, but not limited to, historic use records.
- (4) A detailed description and analysis of the amount and location of groundwater that is projected to be pumped by the urban water supplier. The description and analysis shall be based on information that is reasonably available, including, but not limited to, historic use records.

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(c) Describe the reliability of the water supply and 1 vulnerability to seasonal or climatic shortage, to the extent practicable, and provide data for each of the following:

- (1) An average water year.
- 5 (2) A single dry water year.

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(3) Multiple dry water years.

7 For any water source that may not be available at a consistent level of use, given specific legal, environmental, water quality, or climatic factors, describe plans to supplement or replace that source with alternative sources or water demand management 10 11 measures, to the extent practicable.

- (d) Describe the opportunities for exchanges or transfers of water on a short-term or long-term basis.
- (e) (1) Quantify, to the extent records are available, past and current water use, over the same five-year increments described in subdivision (a), and projected water use, identifying the uses among water use sectors including, but not necessarily limited to, all of the following uses:
- (A) Single-family residential.
- 20 (B) Multifamily.
- 21 (C) Commercial.
- 22 (D) Industrial.
- 23 (E) Institutional and governmental.
- 24 (F) Landscape.
- 25 (G) Sales to other agencies.
- (H) Saline water intrusion barriers, groundwater recharge, or 26 27 conjunctive use, or any combination thereof.
- 28 (I) Agricultural.
- 29 (2) The water use projections shall be in the same five-year 30 increments described in subdivision (a).
- (f) Provide a description of the supplier's water demand 32 management measures. This description shall include all of the 33 following:
- 34 (1) A description of each water demand management measure 35 that is currently being implemented, or scheduled for implementation, including the steps necessary to implement any 37 proposed measures, including, but not limited to, all of the 38 following:
- 39 (A) Water survey programs for single-family residential and 40 multifamily residential customers.

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- 1 (B) Residential plumbing retrofit.
- 2 (C) System water audits, leak detection, and repair.
- 3 (D) Metering with commodity rates for all new connections 4 and retrofit of existing connections.
- 5 (E) Large landscape conservation programs and incentives.
  - (F) High-efficiency washing machine rebate programs.
- 7 (G) Public information programs.
- 8 (H) School education programs.
- 9 (I) Conservation programs for commercial, industrial, and 10 institutional accounts.
  - (J) Wholesale agency programs.
- 12 (K) Conservation pricing.

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- 13 (L) Water conservation coordinator.
  - (M) Water waste prohibition.
- 15 (N) Residential ultra-low-flush toilet replacement programs.
  - (2) A schedule of implementation for all water demand management measures proposed or described in the plan.
  - (3) A description of the methods, if any, that the supplier will use to evaluate the effectiveness of water demand management measures implemented or described under the plan.
  - (4) An estimate, if available, of existing conservation savings on water use within the supplier's service area, and the effect of the savings on the supplier's ability to further reduce demand.
  - (g) An evaluation of each water demand management measure listed in paragraph (1) of subdivision (f) that is not currently being implemented or scheduled for implementation. In the course of the evaluation, first consideration shall be given to water demand management measures, or combination of measures, that offer lower incremental costs than expanded or additional water supplies. This evaluation shall do all of the following:
  - (1) Take into account economic and noneconomic factors, including environmental, social, health, customer impact, and technological factors.
  - (2) Include a cost-benefit analysis, identifying total benefits and total costs.
- 37 (3) Include a description of funding available to implement 38 any planned water supply project that would provide water at a 39 higher unit cost.

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(4) Include a description of the water supplier's legal authority to implement the measure and efforts to work with other relevant agencies to ensure the implementation of the measure and to share the cost of implementation.

- (h) Include a description of all water supply projects and water supply programs that may be undertaken by the urban water supplier to meet the total projected water use as established pursuant to subdivision (a) of Section 10635. The urban water supplier shall include a detailed description of expected future projects and programs, other than the demand management programs identified pursuant to paragraph (1) of subdivision (f), that the urban water supplier may implement to increase the amount of the water supply available to the urban water supplier in average, single-dry, and multiple-dry water years. The description shall identify specific projects and include a description of the increase in water supply that is expected to be available from each project. The description shall include an estimate with regard to the implementation timeline for each project or program.
- (i) Describe the opportunities for development of desalinated water, including, but not limited to, ocean water, brackish water, and groundwater, as a long-term supply.
- (j) Urban water suppliers that are members of the California Urban Water Conservation Council and submit annual reports to that council in accordance with the "Memorandum of Understanding Regarding Urban Water Conservation in California," dated September 1991, may submit the annual reports identifying water demand management measures currently being implemented, or scheduled for implementation, if those reports document measures consistent with the requirements of that memorandum, to satisfy the requirements of subdivisions (f) and (g).
- (k) Urban water suppliers that rely upon a wholesale agency for a source of water, shall provide the wholesale agency with water use projections from that agency for that source of water in five-year increments to 20 years or as far as data is available. The wholesale agency shall provide information to the urban water supplier for inclusion in the urban water supplier's plan that identifies and quantifies, to the extent practicable, the existing and planned sources of water as required by subdivision (b),

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- 1 available from the wholesale agency to the urban water supplier
- 2 over the same five-year increments, and during various
- 3 water-year types in accordance with subdivision (c). An urban
- 4 water supplier may rely upon water supply information provided
- 5 by the wholesale agency in fulfilling the plan informational
- 6 requirements of subdivisions (b) and (c).